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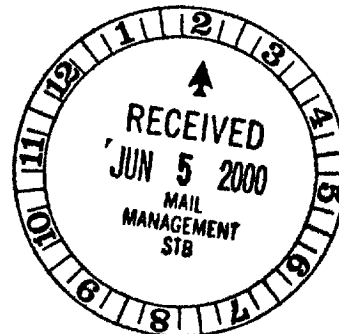
PORT OF HOUSTON AUTHORITY

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June 5, 2000

Surface Transportation Board
Office of the Secretary
Case Control Unit, ATTN: STB Ex Parte No. 582 (Sub-No. 1)
1925 K Street, NW
Washington, DC 20423-0001



Dear Secretary Williams:

RE:

STB Ex Parte No. 582 (Sub-No. 1)

Major Rail Consolidation Procedures

Reply of the

Port of Houston Authority

on

Advance Notice of Proposed Rulemaking

**ENTERED
Office of the Secretary**

JUN 05 2000

**Part of
Public Record**

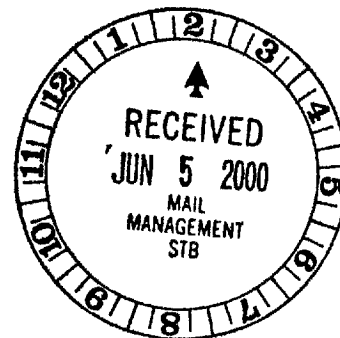
An original and 25 paper copies of the reply of the Port of Houston Authority in the above-captioned proceeding are enclosed. Also enclosed is a 3.5-inch IBM-compatible floppy diskette containing an electronic copy of the enclosed comments, in or convertible by and into WordPerfect 7.0 format.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Richard J. Schiefelbein'.

Richard J. Schiefelbein
For: Port of Houston Authority

STB Ex Parte No. 582 (Sub-No. 1)
Major Rail Consolidation Procedures



Reply of the
Port of Houston Authority
on
Advance Notice of Proposed Rulemaking

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The Port of Houston Authority (“PHA” or “Port Authority”) submits the following replies to comments presented to the Surface Transportation Board in the above captioned proceeding.

Competitive Access

Numerous comments presented to the Board addressed the issue of affording shippers in terminal areas access to all of the major railroads serving that terminal area. Primarily, these comments proposed reciprocal switching or trackage rights as the means to achieve this competitive access.

PHA remains strong in its opinion that, from a shipper perspective, the most attractive approach to assuring competitive access would be a neutral switching railroad accountable to a board comprised of local shippers and receivers served by the neutral switching railroad. While both reciprocal switching and trackage rights have inherent risks of service discrimination against the railroad providing the competitive service, a neutral switching railroad, by its design and governance, does not have a preference for any one of the line haul railroads and does not have an incentive to discriminate against any of the participating railroads. The result is neutral

service to the shippers involved, assured by the railroad's accountability to a board of local shippers.

Port Impacts

The Burlington Northern and Santa Fe Railway (at page 32) dismisses concerns about cross-border port preferences as “hypothetical” with references to NAFTA and WTO rules as vehicles to remedy such preferences. Canadian National Railway (at pages 50 and 51) characterizes the issue as “speculative” and the potential traffic shifts as being no different from shifts among U.S. ports that may result from wholly-U.S. transactions.

On the same issue, the American Association of Port Authorities (at page 5), the Port of Corpus Christi (at page 2) and the Port of Portland, Oregon (at page 2) called for “the interests of affected ports” to be added to the issues the Board must consider, as listed in section 1180.1(b)(1).

PHA is concerned that BNSF's and CN's comments do not reflect a sensitivity to the importance of maintaining neutrality among ports, particularly not giving routing, service, rate, or promotional preferences to one port over another. PHA supports the recommendation of the AAPA and the Ports of Corpus Christi and Portland to add the interests of affected ports to the issues the Board must consider in examining a proposed railroad merger. PHA believes, however, that the AAPA and the ports did not go far enough in their recommendation.

PHA recommends that the Board require railroads to include in their merger application a comprehensive Ports Impact Statement and a Ports Service Plan. Implementation of the Ports Service Plan would be subject to oversight by both the Board, under its existing oversight authority, and a Ports Review Board comprised of representatives of the ports in the merged railroad's service area.

PHA recommends the following language be added to section 1180.7:

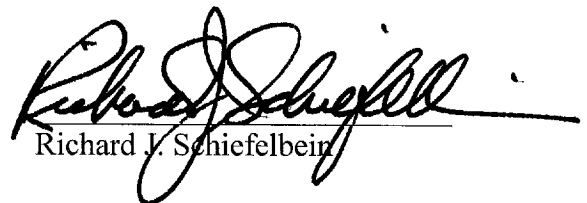
(e) Applicants shall prepare analyses of the anticipated effects of the transaction on traffic patterns, market concentrations, and transportation alternatives available to shippers and receivers at ports. Applicants shall present such analyses in a Ports Impact Statement, and shall include in such statement individual analyses for each port.

PHA recommends the following language be added to section 1180.8(a):

(6) Applicants shall submit a summary of the proposed operating plan for service to and from ports.

CERTIFICATE OF SERVICE

I do hereby certify that copies of this Reply of the Port of Houston Authority have been served on all parties of record in STB Ex Parte No. 582 (Sub-No. 1) by first-class U.S. mail.



Richard J. Schiefelbein

June 5, 2000